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Another step on the path to success

SANDRA PIANALTO
PRESIDENT & CEO

2011 FEB 28 A 11:19

FEDERAL RESERVE BANK
OF CLEVELAND

February 21, 2011

President Sandra Pianalto
Federal Reserve Bank of Cleveland
1455 East Sixth Street
Cleveland, Ohio 44144

Re: Federal Reserve Interchange Proposal

Dear President Pianalto,

On behalf of First Financial Bank, I am writing to express serious concern regarding the proposed rule capping debit card interchange, a provision to the Dodd-Frank Act (Section 1075). The proposal stems from legislation that is bad policy, bad for consumers, bad for financial institutions and bad for the economy.

First Financial Bank is one of the leading banking institutions in the Midwest and has a tradition of success dating back to 1863. We have 1500 associates serving our clients at 108 banking center locations throughout Ohio, Indiana and Kentucky. In 2010, the U.S. Small Business Administration recognized First Financial bank as the Small Lender of the Year, illustrating our commitment to meeting the needs of the businesses and communities we serve. We are a strong and healthy community bank, but these new regulations will have a devastating effect on our business as well as financial institutions of all sizes across the country.

The caps on debit interchange do not reflect the true costs of running a secure, reliable and efficient debit network:

- Banks and other debit card issuers stand to lose roughly 75 percent of their debit card interchange revenue.
- The lost revenue will further limit our capital growth, thus limiting future lending growth.
- Limiting loan growth will have an adverse impact on the many different communities we serve, ultimately constraining economic growth.

To its credit, Congress recognized the importance of interchange revenue to smaller institutions and agreed to 'carve out' those with assets below \$10 billion and certain products. Unfortunately, a contradictory "routing and exclusivity" requirement was added giving retailers the ability to steer transactions away from smaller institutions and their protected rates. So, while smaller institutions are theoretically eligible for exempted fees, there is no guarantee they will see them as the market drives business to the lowest-cost provider. The routing and exclusivity requirement will also increase costs to all banks adding additional networks to their cards.

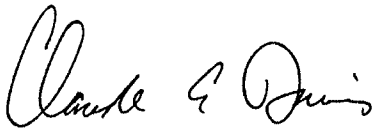
Smaller financial institutions, like First Financial, serve a unique role in meeting the financial needs of millions of Americans. With this legislation:

- We will be harmed by the loss of potentially millions of dollars in card fees that support our business.
- Consumers will see higher prices and fewer services and they will lose the power to choose the payment network they want to use.
- Without adequate cost recovery for banks, there will be no economic incentive to invest in the system that currently benefits consumers and merchants alike.

Again, I urge the Federal Reserve to understand the long-term impact to the banking system and our economy. Further, I have written to members of Congress to suggest that they delay the effective date of this new provision for two years, allowing for adequate time to hold hearings and evaluate the outcome before enactment.

Thank you for your time and consideration. If you would like to discuss this further, please don't hesitate to contact me at (513) 867-5201.

Sincerely,

A handwritten signature in black ink, appearing to read "Claude E. Davis". The signature is fluid and cursive, with the first name "Claude" being more prominent than the last name "Davis".

Claude E. Davis
First Financial Bank
President and CEO